



CITY OF DURHAM | NORTH CAROLINA

Date: May 31, 2011

To: Thomas J. Bonfield, City Manager

Through: Theodore L. Voorhees, Deputy City Manager

From: Joel V. Reitzer, Jr., Director, General Services Department
Doreen Sanfelici, General Services Department

Subject: Convention Center Phase II Project: Increased project contingency
(Change Order to Amendment No. 2-K to the Skanska USA Building
(CMAR) Contract)

Executive Summary

On October 1, 2007, the City Council authorized the City Manager to execute Amendment 2-E with Skanska USA Building (Skanska) for Phase I of the Durham Convention Center (DCC) upgrades. On November 1, 2010, the City Council authorized the City Manager to execute Amendment 2-K with Skanska USA Building for Phase II of the Durham Convention Center Upgrades. On February 7, 2011, the City Council and County Commissioners authorized execution of a pre-opening/construction period management consulting agreement with Global Spectrum, L.P. (Global Spectrum) and a 5-year management agreement. As part of the management agreements with Global Spectrum, the City and County identified the necessity of constructing a new and separate kitchen for the Durham Convention Center. On May 19, 2011 the City Council authorized an increase to Amendment 2-K to the CMAR contract for the construction of the DCC kitchen.

During the course of construction and subsequent to Global Spectrum's selection as new management for the DCC, several necessary operational construction improvements were identified by Global Spectrum for the DCC. This agenda item requests authority to increase the project contingency on the Amendment 2-K to the CMAR contract with Skanska for execution of a change order for necessary and recommended improvements to the DCC to ensure effective and successful operations of the DCC.

Recommendation

The Department of General Services recommends that the City Council:

1. Increase the project contingency on the Amendment 2-K to the CMAR contract with Skanska USA Building in the amount of \$150,000; and

2. Authorize the City Manager to negotiate and execute change orders on the Amendment 2-K to the CMAR contract with Skanska, provided the total project cost does not exceed the amount budgeted for construction phase services plus the project contingency.

Background

In September 2009, City Council approved contract amendments with Heery International, Inc. (Heery) and Skanska for pre-design services of Phase II of the Downtown Bundle in order to investigate and fully define scope and to forecast costs. In April 2010, City Council approved a contract amendment with Heery to perform consulting services for the completion of design on Phase II of the Downtown Bundle. In June 2010, City Council approved a contract amendment with Skanska to continue preconstruction services for the Convention Center subproject. In August 2010, the City approved procurement of long-lead delivery mechanical equipment (HVAC chiller plant) for the Convention Center. In November 2010, the City approved the PGMP for construction phase services with Skanska for the Phase II DCC renovations. On May 19, 2011 the City Council authorized an increase to Amendment 2-K to the CMAR contract for the construction of the DCC kitchen.

Issues/Analysis

Subsequent to authorization of the construction contracts with Skanska, the City and County approved management contracts with Global Spectrum for the DCC. Since Global Spectrum's contract execution and during the course of the transition contract with Global, necessary functional and operational design and construction improvements have been identified by Global. Global's recommendations arise out of its experience managing convention centers nationwide. Global has identified the following additional scopes of work as necessary improvements in order to maximize functionality, operations and revenues. The proposed work includes:

- Renovation and upgrades of data and electrical in the Global Sales and Management office. Necessary replacement of carpet and new paint and renovation of an existing office into a small conference room. These improvements were not part of the original scope of work. During construction it was discovered that the prior operator had performed non-compliant modifications to the sales office, thus requiring upgrades in data and electrical work.
- Revised signage along pre-function corridor (PFC) and new corridors.
- Revised Data/Telephone/Power cabling throughout DCC facility, including infrastructure for digital signage/televisions along the PFC. This ensures maximum services for convention center attendees. The televisions will be incorporated at a later date through Global's purchase of furniture, fixtures and equipment (FFE). The televisions in the PFC may be a potential revenue source to DCC through the sales of sponsorship opportunities.
- Business kiosks data/power infrastructure. Kiosks are planned to better serve convention center attendees and will be incorporated at later date through purchase of FFE.
- Beverage/laptop stations infrastructure only. Stations will replace the previously existing phone bank, no longer needed, and offer maximum opportunity to provide beverage and food service to meeting attendees. Stations to be incorporated at later date through purchase of FFE.

Incorporating Global's recommended improvements during the current construction phase is the most cost-effective and efficient way to proceed. Upon review of the remaining Phase II construction work at the DCC, the construction schedule will not be negatively impacted, as the scope of work can be accomplished within existing schedule. Skanska has submitted a change order in the amount of \$150,000 for the scope of work outlined above.

By increasing the project contingency, the owners and CMAR can proceed with finalizing the change order and proceed with construction of these necessary and functional enhancements. Funding for the change order work has been identified from the DCC operating account funds. The City and County share these costs equally.

Alternatives

Council may choose not to increase the project contingency for the CMAR contract. Without the increased authority to execute change orders to the project, the DCC will lack the necessary infrastructure and operational improvements recommended by the DCC Management Company (Global) for optimal operations, functionality and revenue potential. Staff recommends proceeding with increasing the project contingency to allow for timely execution of change order work to construct the recommended scope of work which has been identified as necessary for successful operation of the DCC.

Financial Impacts

Funding Sources	
DCC Operating Funds (Carry Forward Encumbrance from Phase I)	\$84,366.00
DCC Operating Fund (\$182,817.00 City/\$182,817.00 County)*	\$365,634.00
FY 2008/2009 CIP Funding	\$1,176,000.00
FY 2009/2010 CIP Funding	\$5,335,000.00
TOTAL	\$6,961,000.00

Funding Uses Summary	
Pre-design	\$38,006.00
Design	\$458,700.00
Design Contingency	\$45,870.00
Preconstruction Services	\$52,000.00
Final GMP – Chillers (Phase II)	\$257,034.00
Final GMP- DCC Renovation (Phase II)	\$5,135,645.00
Kitchen Change Order	\$450,000.00
Global Improvements Change Order	\$150,000.00
Owner Contingency	\$373,745.00
TOTAL	\$6,961,000.00

*The DCC operating line item amount will be reimbursed via the lease with the Marriott Hotel (Shaner).

SDBE Summary

This seeks authorization to allocate additional funds to an existing project. The Department of Equal Opportunity/Equity Assurance did not review the item for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.